

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**ENERGY DIVISION**

**RESOLUTION G-3357  
OCTOBER 16, 2003**

**R E S O L U T I O N**

Resolution G-3357. Southern California Gas Company (SoCalGas) requests revisions to several tariff schedules to accommodate the impending elimination of the core subscription tariff. SoCalGas's request is approved.

By SoCalGas Advice Letter (AL) 3268, filed June 12, 2003.

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**SUMMARY**

With the termination of Core Subscription service (G-CS), SoCalGas needs a new mechanism to comply with the intent of PU Code Section 6353(b), which directs gas utilities to determine the franchise fee surcharge for certain transportation customers according to its "... tariffed core subscription weighted average cost of gas (WACOG) exclusive of any California sourced franchise fee factor."<sup>1</sup> The franchise fee surcharge is used to collect funds to reimburse municipalities and counties for the utility's use of public lands. The condition noted in the PU Code is very soon to become inapplicable for SoCalGas as the last of its Core Subscription contracts expires on December 1, 2003.

The Procurement Charge component of the G-CS rate has also been used as an input in several other tariff schedules. In this AL, SoCalGas develops an equivalent replacement for the G-CS Procurement Charge, to be called the adjusted core procurement rate (Schedule G-CPA). This G-CPA is used in calculating: the municipal surcharge (Schedule G-MSUR), the Buy-Back rate for Transportation Imbalance charges (Schedule G-IMB), the rate cap for utility payments to customers related to Voluntary Core Protection Purchase Agreements (VCPPA) deliveries as defined in Rule 23; and purchases of storage

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<sup>1</sup> "Core subscription" is a service whereby a utility procures gas for noncore customers.

gas as defined in Rule 32. This Resolution approves the modifications to the various tariff schedules necessary to accommodate the impending termination of the SoCalGas Core Subscription Service (Schedule G-CS).

## **BACKGROUND**

### **Franchise Fee Surcharge:**

The franchise fee surcharge was established in response to regulatory policies which affected the amount collected by energy utilities to pay municipalities and counties for the use of public lands in the course of fulfilling their service obligations.<sup>2</sup> Specifically, the franchise fee surcharge was devised to "... replace, but not increase, franchise fees that would have been collected pursuant to this division if not for changes in the regulatory environment such as the "unbundling" of the gas industry."<sup>3</sup>

SoCalGas collects the franchise fee surcharge from the appropriate gas transportation customers under Schedule G-MSUR, as published in its tariff. The schedule stipulates that the franchise fee surcharge applies to the volume of gas sent over the utility's transportation system.

PU Code section 6353 (b) specifies that one determinant used to develop the franchise fee surcharge for gas utilities is its "... tariffed core subscription weighted average cost of gas (WACOG) exclusive of any California sourced franchise fee factor." Until recently, SoCalGas was able to set the surcharge rate in harmony with this statutory provision by using the Procurement Charge of the Core Subscription rate. However, SoCalGas will terminate its Core Subscription service on December 1, 2003.

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<sup>2</sup> Senate Bill 278 (Stat. 1993, Ch. 233)

<sup>3</sup> See PU Code section 6350.

Termination of the Core Subscription rate:

In Decision (D.) 01-12-018 the Commission ordered SoCalGas to discontinue Core Subscription service.<sup>4</sup> Core Subscription service was closed to new customers on January 1, 2002 and will be completely eliminated effective December 1, 2003 as the last of the core subscription contracts expires. The expiration of this rate necessitates a new mechanism to fulfill the intent of PU Code 6353 (b).

The Core Subscription rate has also been used in the Buy-Back Rate associated with the Transportation Imbalance Service, Schedule G-IMB, as well as in Rules 23 and 32. In Rule 23, the Core Subscription rate is used to cap the utility payments to customers related to Voluntary Core Protection Purchase Agreements (VCPA) deliveries. In Rule 32 the Core Subscription rate is used to value gas placed in storage.

Creation of New Rate:

In the instant filing, SoCalGas proposes a new rate, the adjusted Gas Procurement Service rate (G-CPA), to take the place of the expiring Procurement Charge of the Core Subscription rate. This rate is comprised of: (1) the Weighted Average Cost of Gas (WACOG), as detailed in D.98-07-068; (2) authorized franchise fees and uncollectible expenses; (3) Core Purchased Gas Account (CPGA) adjustments; (4) Gas Cost Incentive Mechanism (GCIM) rewards/penalties. It is exclusive of core storage withdrawals and authorized core brokerage fees.

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<sup>4</sup> SoCalGas filed compliance AL 3100 on December 26, 2001 and AL 3100-A on January 28, 2002, discontinuing Core Subscription service. On February 27, 2003, the Commission passed Resolution G-3334, denying nine ALs associated with D.01-12-018, including AL 3100-A. The Commission explained in a follow-up letter that as a result of the filings and Commission actions, AL 3100-A had gone into effect on January 1, 2002 and gone out of effect on February 27, 2003. On April 1, 2003 SoCalGas filed AL 3252 closing Core Subscription service and requesting an effective date of February 27, 2003. This was approved on June 4, 2003. As far as Core Subscription is concerned, the result of this procedural flurry is that Core Subscription service has been continuously closed to new customers since January 1, 2002.

PG&E proposed the same methodology when it faced the termination of its core subscription service last year. The Commission approved PG&E's proposal in Resolution G-3326 on April 22, 2002.

### **NOTICE**

Notice of AL 3268 was made by publication in the Commission's Daily Calendar. SoCalGas states that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A.

### **PROTESTS**

Advice Letter AL 3268 was not protested.

### **DISCUSSION**

We have reviewed the AL filing by SoCalGas and find that it complies with the intent of PU Code 6353 (b) in correctly assessing the municipal surcharge. The tariff changes to other schedules and rules correctly incorporate the new G-CPA rate which was created to accommodate the elimination of Core Subscription service.

### **COMMENTS**

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to PU Code 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

### **FINDINGS**

1. Pursuant to Commission orders, SoCalGas' Core Subscription service has been closed to new customers since January 1, 2002.
2. The last existing Core Subscription service contract will expire December 1, 2003.
3. PU Code Section 6353(b) directs gas utilities to determine the franchise fee surcharge for certain transportation customers according to its "... tariffed core subscription weighted average cost of gas (WACOG) exclusive of any California sourced franchise fee factor."

4. The impending termination of the Core Subscription service necessitates a new way to comply with the intent of PU Code Section 6353(b) in Schedule G-MSUR.
5. A new rate schedule is also required for Schedules G-IMB and for Rule 23 and Rule 32 to accommodate the elimination of the Core Subscription Procurement Charge.
6. In the instant filing, SoCalGas proposes a new rate, the adjusted Gas Procurement Service rate (G-CPA), to take the place of the expiring Procurement Charge of the Core Subscription rate. This rate is comprised of: (1) the Weighted Average Cost of Gas (WACOG), as detailed in D.98-07-068; (2) authorized franchise fees and uncollectible expenses; (3) Core Purchased Gas Account (CPGA) adjustments; (4) Gas Cost Incentive Mechanism (GCIM) rewards/penalties. It is exclusive of core storage withdrawals and authorized core brokerage fees.
7. In Resolution G-3326, the Commission approved a similar proposal by PG&E when it faced the termination of its core subscription service.
8. The instant filing complies with the intent of PU Code 6353 (b) in correctly assessing the municipal surcharge.
9. The tariff changes to other schedules and rules correctly incorporate the new G-CPA rate which was created to accommodate the elimination of Core Subscription service.

**THEREFORE IT IS ORDERED THAT:**

1. The request of SoCalGas in AL 3268 to create a new adjusted Core Procurement service rate, equivalent to and replacing the Procurement Charge of the Core Subscription rate, is approved.

This Resolution is effective December 1, 2003.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on October 16, 2003; the following Commissioners voting favorably thereon:

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WILLIAM AHERN  
Executive Director

MICHAEL R. PEEVEY  
President  
CARL W. WOOD  
LORETTA M. LYNCH  
GEOFFREY F. BROWN  
SUSAN P. KENNEDY  
Commissioners